HOUSING MARKET OUTLOOK
Victoria CMA

CANADA MORTGAGE AND HOUSING CORPORATION

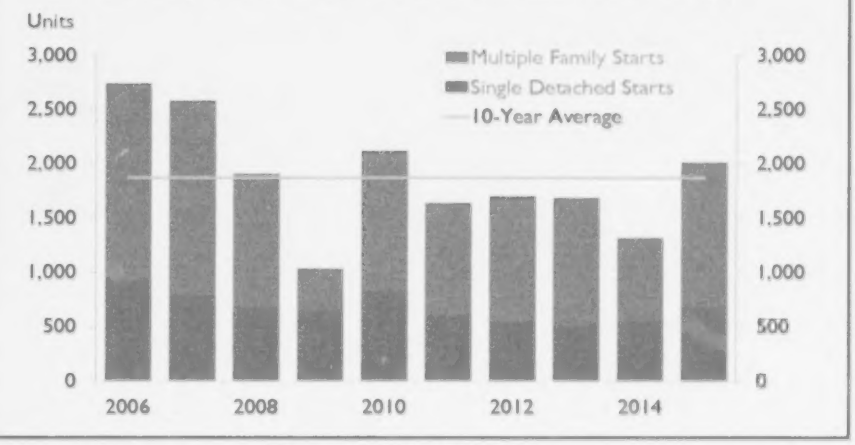
Date Released: Fall 2016

Highlights[1]

- Housing starts in the Victoria Census Metropolitan Area (CMA) are expected to remain above the 10-year average, as builders respond to low inventory levels, heightened consumer demand from elevated household formation, and continued low mortgage rates.
- 2016 MLS® sales will continue on pace to set a new annual sales record. A pullback in 2017 will extend into 2018, reflecting lower household formation and a gradual increase in mortgage rates.
- Seller's market conditions are expected to persist into 2017, but the supply of new listings is expected to increase in response to price growth. Balanced market conditions will return by 2018.

Figure 1

Housing Starts to Remain Above the 10- Year Average



Sources: CMHC Starts and Completions Survey, CMHC Forecast

[1] The forecasts and historical data included in this document reflect information available as of September 30, 2016.

Table of Contents

1 Highlights
2 Housing starts to finish this year strong and remain elevated.
4 Sales expected to ease but remain elevated going forward
6 New supply will gradually raise rental apartment vacancy rates
7 Demographics and Jobs to support housing demand
8 Mortgage rates are expected to rise modestly over the forecast horizon
8 Wide ranges
11 Trends at a glance
12 Forecast summary

SUBSCRIBE NOW!

Access CMHC's Market Analysis Centre publications quickly and conveniently on the Order Desk at www.cmhc.ca/housingmarketinformation. View, print, download or subscribe to get market information e-mailed to you on the day it is released. CMHC's electronic suite of national standardized products is available for free.

- Strong demand for rental units is expected to keep vacancy rates for purpose-built apartments at or below one per cent.
- Employment gains are forecast to continue, as well as robust population growth due to migration into the Victoria CMA, and both of these factors will contribute to an elevated level of housing demand into 2018.
- According to the Housing Market Assessment (HMA) framework, there was moderate evidence of imbalances in the Victoria housing market in mid-2016, specifically overheating and price acceleration. Historically low supply levels across the housing market have resulted in competition between growing numbers of home buyers, driving up prices in 2016. The unwinding of these conditions raises some uncertainty around the forecasts and these are reflected in the ranges presented in this report.

Figure 2

Source: CMHC (F): Forecast

Housing starts to finish this year strong and remain elevated

New housing construction in the Victoria Census Metropolitan Area (CMA) has moved above the ten-year average (Figure 1). Low inventory levels across the new home market for single detached and multi-family homes created an opportunity for builders to increase construction levels, and all housing markets will end 2016 with an increased annual total of new builds. Construction levels of all housing types will decrease but remain elevated through the forecast period, as household formation dips slightly and mortgage rates begin to rise.

Total housing starts are expected to reach a range of 2,500 to 2,700 units in 2016 before easing into a range of 2,300 to 2,600 in 2017 and 2,100 to 2,500 in 2018 (Figure 2). Multi-family units will continue to be the dominant form of new construction, while single family homes will remain about one third of total new construction. The elevated level of starts is supported by estimates of household formation in which 2016 will finish at a high-water mark. According to BC Stats, 2,084 new households will be formed in 2016, up five per cent over 2015, followed by 2,035 in 2107 and 1,968 in 2018[2].

Note to readers

In an effort to align itself with the various needs of those seeking information about the housing market, CMHC's Market Analysis Centre has undertaken a complete review of its products and services. As a part of this review, the CMHC's *Housing Market Outlook* publication will be undergoing a series of modifications. The general objective is to provide a range of possible outcomes that, in a context of economic and financial uncertainty, will better help users in their decision-making process.

As a first step in this ongoing process, the present edition incorporates forecast ranges for housing variables as well as an expanded discussion on the risks to the forecast. A more detailed description of the forecast range methodology is provided at the end of the publication.

[2] Source: BC Stats, PEOPLE 2016, released in August 2016; CMHC calculations.

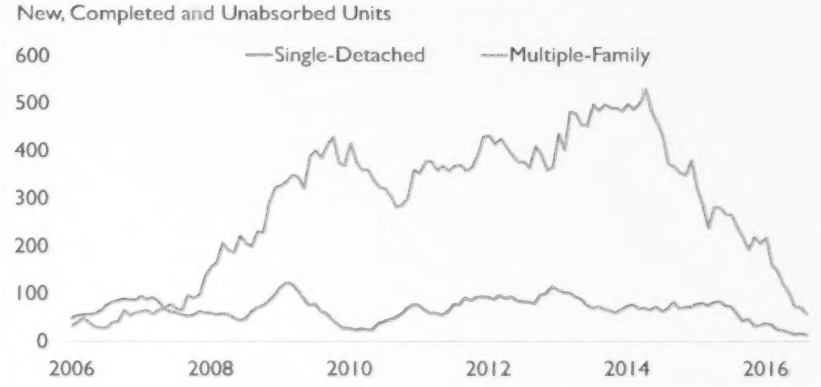
New household formation is an important demographic source for housing demand, and in the Victoria CMA, household formations have historically aligned with housing starts.

Single-detached starts are on pace for a strong year. Year-to-date single-detached starts increased by 36 per cent over the previous year in August 2016, and numbered 608 units. By contrast, only 81 additional houses would need to be built to reach the year-end total of 689 starts in 2015, and the end of 2016 will likely mark the highest level of single-detached starts since 2006. An increase in demand for new single-detached homes is shown by the combination of increased prices alongside increased absorptions[3]. Year-to-date absorptions were up by 20 per cent and the average new home price increased by 10 per cent over the same period in 2015. Despite increased starts, supply levels were drawn down by the growth in demand for new homes. Complete and unsold inventory of newly completed single-detached homes sat at 14 units in August, a low point not seen since 2002 while the population of the Victoria CMA has increased by 11 per cent since then (Figure 3)[4].

The trend of increased demand and reduced supply for new single-detached homes mirrors activity in the existing home market. Demand for existing homes has pushed up prices in this market segment, thereby reducing the premium for new homes. At the end of 2015, the gap between average prices in the new home market and the resale market was close to 15 per cent. By August 2016, the year-to-date average price for a new single-detached home was only seven per cent higher than the average existing single-detached home. A lower premium acts as an incentive for more buyers to consider new homes, increasing demand, and builders have responded by initiating more starts. In 2016, the range of new housing starts will be 830 to 910 units, in 2017 as household formation eases the range will be 780 to 860 units. In 2018, between 760 and 840 units will be initiated.

Figure 3

Low Inventory Creates Opportunity for New Construction



Source: CMHC Starts and Completions Survey. Last data point August 2016.

Multi-family starts will finish well above 2015 levels. The elevated number of multi-family starts is expected to persist over the forecast horizon, although 2016 will have the greatest number of starts. Construction in 2016 has already surpassed the 2015 total of 1,321 units. In August 2016, the year-to-date total was 1,432 units. Rental construction, in particular, has contributed the lion's share of multi-family units getting underway this year, mainly in the form of apartment starts. In 2015, 54 per cent of multi-family construction was designated as rental tenure whereas the year-to-date share in 2016 increased to 64 per cent. With the exception of less than ten row units, all of the new multi-family rental units started were apartments or accessory suites.

A low inventory of multi-family units in the homeownership market has also created a more competitive market for buyers, and an opportunity for builders. There were 58 units of complete and unsold inventory at the end of August 2016, well below the 10 year average of 300 units (Figure 3). In response, multi-family starts aimed at the homeownership market increased 15 per cent over the previous year so far in 2016. The bulk of new homeownership starts were apartment units accounting for 68 per cent of the multi-family total. The increase in demand for apartments reflect recent demographic trends: a growing population of people under the age

[3] Absorptions refer to sales of newly built housing.
[4] Source: BC Stats, PEOPLE, 2016, released in August 2016; CMHC calculations.

of 40 alongside a growing population of people over the age of 55. The younger population have budgets that make lower-priced housing options appealing, while the older population may choose to downsize after retirement. Both scenarios lead to growth in the demand for apartments.

Ongoing demand for multi-family rental and homeownership is expected to continue over the forecast horizon, keeping demand for multi-family homes elevated. In 2016, multi-family starts will fall in the range of 1,670 to 1,830 units. Fewer new homes will be initiated moving forward as units currently under construction begin to enter the market. In 2017, between 1,540 and 1,720 units will be initiated followed by 1,420 to 1,580 units in 2018.

Sales expected to ease but remain elevated going forward

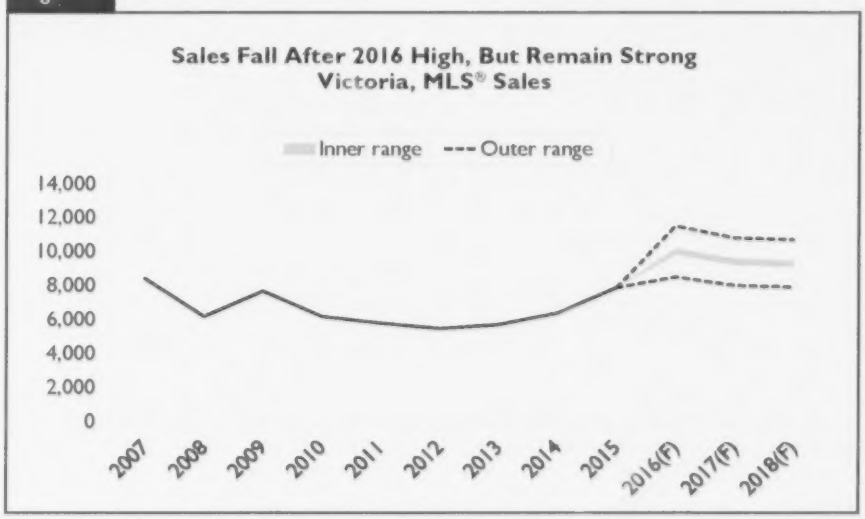
The resale market so far in 2016 can be described by a lack of supply and an increase in demand. Sales and prices both grew, while the number of homes for sale declined relative to last year. In the most recent Housing Market Assessment (HMA) report for the Victoria CMA, moderate evidence of overheating and price acceleration were detected. In the HMA framework, overheating is a direct evaluation of the rate that new supply enters as existing supply is taken out of the market. Overheating was detected in the first and second quarters of 2016 as the level of new supply in the market stayed the same alongside a growing number of sales. This created market conditions that favour the seller, with rising prices and houses taking fewer days to sell.

This imbalance is not expected to continue over the forecast horizon. Seasonally-adjusted sales hit a peak in April of 2016 and have been trending lower in recent months while new listings trended upwards through the year. As a result, the resale market will likely not remain overheated, but conditions will favour sellers well into 2017 then return to balance by 2018.

Year-to-date sales in the Victoria CMA grew by 40 per cent in the first eight months of 2016 compared to the same period in 2015, but the pace of sales has trended downward since April. The growth in sales was consistent with strong population growth, increased household formation, and employment growth above the national average. However, as these trends ease, the annual growth rate for sales is expected to slow down from its recent pace. Expect between 9,800 and 10,200 sales in 2016, 25 to 30 per cent over the 2015 sales count. In 2017 MLS® resale transactions will fall to between 9,200 and 9,600 sales; they will move lower in 2018, as well, to between 9,100 and 9,500 sales. Despite a moderating trend over the forecast horizon, sales will remain well above historical annual totals (Figure 4).

While sales were growing this year, market balance was shifted further in favour of sellers as supply levels actually declined. There were over 1,000 fewer homes for sale in the month August 2016 than in the previous August, a 54 per cent decrease. Not since March of 2013 has there been a year-over-year increase in the number of homes for sale (active listings), and the sharp increase sales in 2016 has outpaced any additions to the supply of existing homes. The run-down of supply was ubiquitous across all housing types, single-detached, attached, and condo apartments all exhibited low active

Figure 4



Source: CREA, CMHC Forecast; (F): Forecast

listings and high sales-to-new listings ratios (Figure 5). However, as the level of sales has started to ease, new listings have started to show signs of growth. In August 2016, the seasonally-adjusted new listings posted a seven per cent increase year-over-year, the third month in a row to post a gain. As new listings continue to enter the market, and demand eases, the market will return to balance over the forecast horizon, but it will take some time for supply levels to replenish.

The effect of an overheated market in 2016 was rapid price growth. In the second quarter of 2016, the HMA framework detected price acceleration in the Victoria CMA. As of August, the year-to-date average MLS® price was 12 per cent higher than in the previous year. Single-detached units experienced the largest growth in prices, and made up over half of all sales. The region with the strongest single-detached price growth year-over-year was the Saanich Peninsula which had the second highest average price at $740,000, followed by the Urban Core which had the highest average single-detached price at $808,000[5]. With market-balance expected to improve for the remainder of 2016, price growth is expected to decelerate. The result will be an average MLS® price in the range of $575,300 and $584,700 in 2016. As the market moves towards balanced conditions, prices will increase more moderately. In 2017, the average MLS® price will range between $605,600 and $614,400. In 2018 prices will rise again to a range $625,500 and $634,500 (Figure 6).

Figure 5

Source: VREB. Data is seasonally adjusted. Last data point August 2016

Figure 6

Source: CREA, CMHC Forecast; (F): Forecast

[5] Source: Victoria Real Estate Board

New supply will gradually raise rental apartment vacancy rates

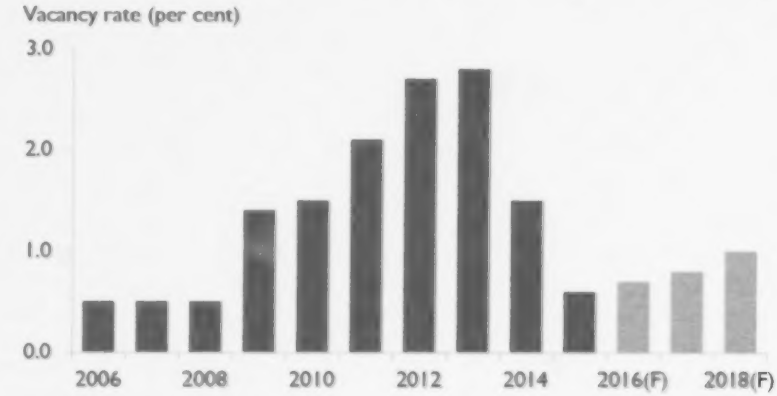
The rental market in the Victoria CMA will remain in a low-vacancy state over the forecast horizon, due to strong demand for rental accommodations. Vacancy rates in the purpose-built rental market will remain at or below the one percent mark, but as additional supply begins to catch up with market demand, it will cause vacancy rates to rise.

The rental supply is expanding, with much of the new supply in the form of apartment units. From January to August 2016, 312 new rental units were started in the Victoria CMA, and, in August, 1,261 units were under construction. Over half of the units under construction were located in the City of Victoria, and 24 per cent were located in Langford, the two most active areas for new rental development. The total rental universe measure in CMHC Fall Rental Market Survey in 2015 was just under 25,000 units, most of which were built prior to 1980. Taking only those units that are under construction, and holding all other factors constant, units currently under construction, alone, represent a potential five per cent expansion of the total purpose-built rental universe. Of the existing stock only 1,055 units completed construction since 2000, and 1,636 units were completed in 1980-1999, which means that the current level of development represents a substantial increase to the existing stock of rental units.

There are a number of factors contributing to rental demand. The Victoria CMA supports a relatively large number of students. Net migration for people aged 16-25 has averaged 1,800 per year since 2006, representing the largest single cohort of migrants to the Victoria CMA. Even if these people are not all bound for schools, it is a demographic that is comprised heavily of renters, as first-time buyers tend to be slightly older. Additionally, in light of recent price acceleration in the existing home market, the cost of renting a unit in the Victoria CMA became much more affordable relative to buying. While the cost of a new home on the resale market increased by 12 per cent year-to-date, average rent is not forecast to increase by nearly as much. Many would-be first time home buyers may decide to delay the purchase of a home in this environment. Another driver of demand is the relative strength of the BC economy, and in the Victoria CMA the creation of new jobs has helped to attract people to the region, many of whom will opt to rent their first home in the region before moving into the homeownership market.

Figure 7

Apartment Vacancies Will Remain Low Despite Higher Rental Supply



Source: CMHC Starts and Completions Survey

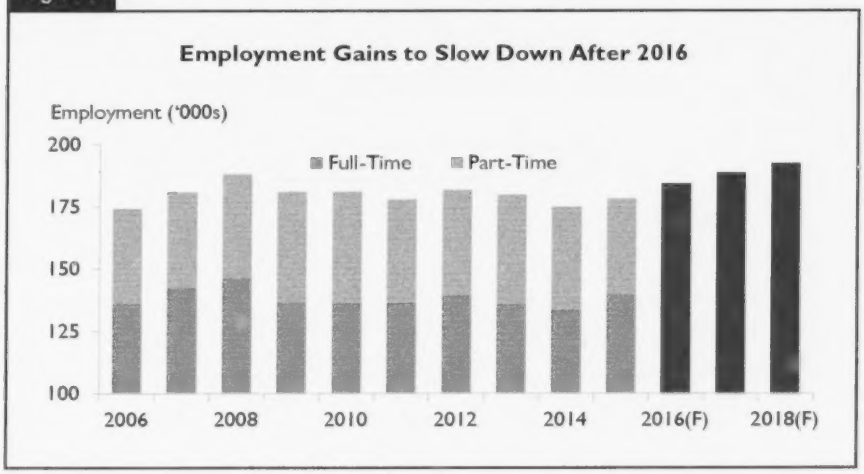
Average rents will rise over the forecast horizon. New units entering the market will tend to have higher monthly rents than the existing stock, and as they are incorporated into the overall average monthly rent, this will cause that average to rise. Demand for rental accommodations will remain strong, and this will be another factor in driving rents upward. One-bedroom apartment rents will average $900 per month in 2016, and will rise to $925 in 2017, then rise again to $950 in 2018. The average rents to two-bedroom apartments will follow a roughly similar pattern. In 2016 the average two-bedroom apartment rent will be $1,170 per month, $1,200 per month in 2017, and $1,230 per month in 2018.

The vacancy rate in the Victoria CMA will rise over the forecast horizon as new units are brought on to the market. The vacancy rate is forecast to be 0.7 per cent in 2016, up from 0.6 per cent in 2015. In 2017, a slight increase to 0.8 per cent is expected, and in 2018 the vacancy rate will reach one per cent (Figure 7).

Demographics and Jobs to support housing demand

The housing market in the Victoria CMA is supported by a range of demographic and economic factors such as population and employment growth. The lower Canadian dollar will also contribute to growth in the region, in line with its robust tourism industry. The population is expected to increase in the Victoria CMA at a rate exceeding 4,100 people per year, on average, for the entire forecast horizon. Net migration to Victoria will remain elevated as the BC economy grows at a rate above the national average. Victoria will continue to attract households from the Lower Mainland who are looking for more affordable housing, and retirees from across the country will continue to find the climate and services of Victoria appealing. Students from around the globe as well as across Canada will continue to migrate to the Victoria CMA to study at one of the many schools in the area, mainly supporting demand in the rental market. A favourable employment outlook for the Victoria CMA will also provide support for housing demand in the years to come (Figure 8).

Figure 8



Source: Statistics Canada, Forecast by CMHC

Employment growth in 2016 is forecast at 4.2 per cent, before falling to a more modest growth rate of 1.2 per cent in 2017 and 1.1 per cent in 2018. As many of the currently-employed workers begin to retire, an ever-growing share of new hires will contribute to replacing retirees. However, with a growing population to service, economic growth will be needed to accommodate the new demand for goods and services in the Victoria CMA that come as a result.

As of the second quarter of 2016, 5,400 new jobs were created over the previous year, comprised of 3,400 full-time jobs and 2,000 part-time jobs[6]. Job growth was mainly concentrated in the industry of trade and the scientific, professional and technical industry. Along with healthcare, these two industries are also the largest employers in the Victoria CMA, and represented over 40 per cent of total jobs in the region. Adding in government jobs brings the total employment share of these four industries to half of all jobs in the Victoria CMA. Healthcare is likely to continue adding jobs to service an aging population over the forecast horizon, and the growing tech sector in the Victoria CMA will help to add employment to the scientific, professional and technical industry.

With the Canadian dollar trading at a discount to the American dollar, the travel, tourism and hospitality industry will benefit from an increase in the number of American tourists visiting. Canadians will also be more likely to look for domestic destinations as U.S. destinations will now be relatively more expensive. The accommodations and food services industry increased employment by 800 workers in the second quarter of 2016 relative to the previous year to help meet demand. The Victoria international airport increased year-over-year traffic each month of 2016 with a 10.7 per cent increase in August. The Greater Victoria Harbour Authority expects 226 cruise ships in 2016 with close to 520,000 passengers, similar to last year which was a record year in terms of the number of ships and passengers coming to Victoria.

[6] Source: Statistics Canada CANSIM table 282-0128

Mortgage rates are expected to rise modestly over the forecast horizon

Mortgage rates are expected to increase very modestly over the period 2016-2018. This is consistent with the expected pick-up over the horizon for inflation and real GDP growth by several forecasting institutions.

According to our base case scenario, the posted 5-year mortgage rate is expected to be within a 4.5 to 4.9 per cent range in 2016 and within a 4.4 to 5.2 range in 2017. For 2018, the posted 5-year mortgage rate should lie within a 4.5 to 5.7 per cent range.

Wide Ranges

Forecast Risks

There are a number of risks to the outlook on the upside and downside that contribute to uncertainty in the outlook.

- Continued price acceleration in the Victoria CMA, as detected in the HMA framework, could lead to households taking on higher debt loads to enter the housing market as buyers. Highly indebted households will be more vulnerable to the possibility of unemployment or an increase in mortgage interest rate.
- If overheating in the market, as detected by the HMA framework in the first two quarters of 2016, were to persist, there is a risk of rising house prices, continued low supply of new and existing homes, and tight vacancy rates. These conditions could deter migration to the region which would reduce demand for housing as well as having other adverse effects elsewhere in the economy that would feed into the housing market.
- On the upside, a growing US economy could boost tourism and export-related industries across Victoria, creating opportunities for local business which in-turn would create employment.

The heightened level of uncertainty poses some risks to the Victoria CMA economic and housing outlook. This can result in a wider range of possible outcomes versus the narrow range. Some examples are illustrated below (refer to charts that show wide ranges).

Starts

- Low borrowing costs, and low inventories of completed and unsold new homes, may encourage developers to move ahead with projects earlier than anticipated, pushing the starts trend closer to the higher end of the range.
- Total units under construction was up by 60 per cent year-over-year in August 2016. The increased level of construction activity may influence builders to slow down due to capacity constraints or may cause some builders to wait and see how the market absorbs the increased rate of completions in the future.

Sales

- Continued low oil prices effectively reduce the incentive for migrants bound for the oil producing regions of Canada. If some people instead chose to migrate to the Victoria CMA, it will increase the population as well as housing demand, boosting sales activity.
- With many of the baby-boomer generation reaching retirement age, an increase in the number of migrants attracted to the Victoria CMA as a destination for retirement could increase the demand for housing in the region, moving sales to the higher end of the range.
- Interest rates may well remain low for an extended period of time. Combined with a stronger job market due to industries benefiting from the lower dollar, it could mean a stronger than expected increase in the labour market, and thus increased sales.
- A significant portion of new jobs created in 2016 were part-time positions. If job growth in the future does not continue in the form of full-time positions, the effect of increased employment will tend to support rental demand rather than home sales.
- Alternatively, high oil prices, weaker migration and higher interest rates versus our expectation could push sales closer to lower end of the range.

Wide Ranges

Price

- According to the HMA framework, there is strong evidence of overvaluation in the Vancouver housing market A price correction in Vancouver may alter expectations for the Victoria market, placing downward pressure on prices.
- Since the average price of a home is lower in Victoria, this could lead to significant wealth from Vancouver spilling over into the Victoria housing market as homeowners in Vancouver sell their homes and bring equity with them in a move to Victoria.
- The average MLS® price is a composite measure. It is an average of single-detached, semi-detached, row, and apartment style housing. If, for example, the relative share of apartments increases, it will result in a lower average price, even if prices for apartments and all other types were to rise.
- If the supply of homes on the resale market continues to decline, it will increase competition among buyers and move prices to the upper end of the range. Conversely, a dramatic increase in the supply could shift the market balance, and slow the pace of price growth.

The impact of mortgage regulation changes

On October 3, the Government of Canada announced measures designed to support the health and stability of Canadian housing markets and housing finance system. The measures include new eligibility rules for high ratio insured mortgages (where the loan to value ratio is greater than 80%) and new eligibility criteria for low ratio insured loans (loan-to-value less than 80%) that previously only applied to high ratio mortgages. Under the new measures, all high ratio mortgages will now be "stress tested" to ensure borrowers can afford their loan if interest rates rise. Borrowers will now have to meet higher debt servicing limits calculated using the greater of the contract rate and the Bank of Canada's 5 year posted rate. The latter is currently more than 2% higher than typical contract rates. This "stress test" approach has been applied since 2010 to variable rate mortgages and fixed rate mortgages of a term of less than 5 years. Applying this stress test to loans with terms of five years and longer extends this test to all high-ratio insured mortgages.

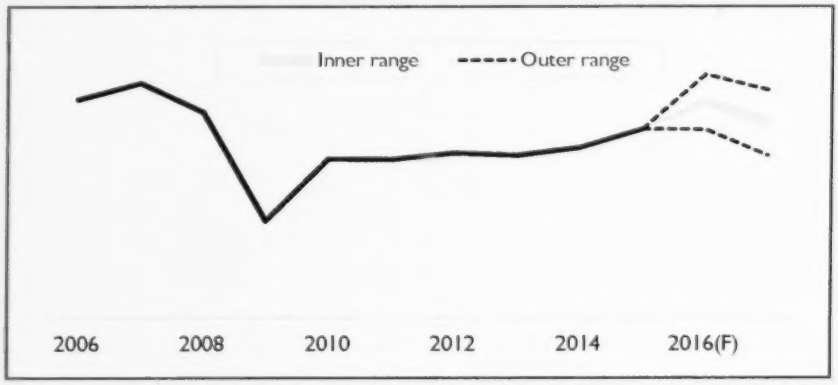
As the policy just took effect, it is difficult to precisely evaluate the impacts on housing markets. In general, an increase in mortgage rates affects house prices, sales, and starts negatively. However, the stress test approach affects the size of the insured mortgage for which the home borrower qualifies and it is not an increase in the mortgage rate itself. As a result, borrowers could adjust their purchase behaviour in several ways. For example, they could purchase homes that are less expensive, add more down payment, delay their purchase in order to save additional funds for down payment, or add a co-signor. According to our analysis, from 5 to 10 per cent of all prospective home buyers could be affected during the first year of implementation, but the precise impact will vary depending on specific homebuyer circumstances and behaviours. Considering regional variations in drivers of housing activities, it is also likely that the impact of the announced changes could be different across the country. Taking into account all possible scenarios, the impacts on house prices, sales, and starts are within the lower band of our outer forecasting range that is designed to capture unexpected economic and financial developments, as well as unforeseen regulatory changes at the local, provincial, and national levels.

Methodology for forecast ranges

The present edition of *Housing Market Outlook* incorporates forecast ranges for housing variables. Despite this change, all analyses and forecasts of market conditions continue to be conducted using the full range of quantitative and qualitative tools currently available. Two sets of ranges are presented in the publication:

- An inner range, which provides more precise guidance to readers on the outlook while recognizing the small random components of the relationship between the housing market and its drivers. This inner range is based on the coefficient of variation* of historical data and on past forecast accuracy. This range provides precision and direction for forecasts of housing variables, given a specific set of assumptions for the market conditions and underlying economic fundamentals.
- An outer range, which reflects potential risks to the forecast due to, for example, the impact of economic shocks. The outer range is based on a broader coefficient of variation of historical data and on past forecast accuracy. This range includes some low-probability events that could have a significant impact on the forecast.

Downward (or upward) adjustments to the ranges may be applied based on local market intelligence if there are more sources of risks (upside or downside) for that specific market.



* The coefficient of variation in this case is the standard deviation divided by the mean of that series. A higher coefficient of variation would produce wider ranges due to the higher volatility of the data, while a lower coefficient of variation would produce tighter ranges.

Trends at a glance

Key Factors and their Effects on Housing Starts	
Mortgage Rates	Mortgage rates are expected to stay near current levels until the end of 2016, before rising modestly over the forecast horizon. This should contribute to a slight moderation in housing demand by the end of 2018.
Population	Population growth will exceed 4,000 people per year, driven primarily by migration into the Victoria CMA from other parts of Canada.
Employment	Job growth will continue to support housing demand through to 2018, however the rate of job creation will slow in 2017 and 2018.
Resale Market	Strong demand and low supply characterize the Victoria CMA resale market in 2016. The CMHC's HMA framework detected price acceleration and overheating in the second quarter. As the supply levels rise and demand eases, the market will return to balance towards the end of the forecast horizon.
Supply of New Completed and Unabsorbed Units:	Inventory levels as of August were well below the ten-year average of 368 units: just 14 single-detached and 58 multi-family newly-completed homes remained unsold.
Unit Absorptions:	Year-to-date, total absorptions of new units have decreased. However, the decrease is entirely driven by multi-unit homes. Absorptions could not match 2015 levels even if all units were absorbed upon entering the market. Inventory for multi-family homes in 2016 has been lower than absorption levels in 2015, which has eliminated the possibility of increasing multi-family absorptions. Single-detached home absorptions were up 20 per cent year-to-date as of August.

Forecast Summary
Victoria CMA
Fall 2016

	2013	2014	2015	2016(F)		2017(F)		2018(F)	
				(L)	(H)	(L)	(H)	(L)	(H)
New Home Market									
Starts:									
Single-Detached	514	551	687	830	910	780	860	760	840
Multiples	1,171	764	1,321	1,670	1,790	1,540	1,720	1,420	1,580
Starts - Total	1,685	1,315	2,008	2,500	2,700	2,300	2,600	2,100	2,500
Resale Market									
MLS® Sales	5,691	6,371	7,868	9,800	10,200	9,200	9,600	9,100	9,500
MLS® Average Price($)	480,997	496,473	521,616	575,300	584,700	605,600	614,400	625,500	634,500
Economic Overview									
Mortgage Rate(5 year)(%)	5.24	4.88	4.67	4.50	4.90	4.40	5.20	4.50	5.70

	2013	2014	2015	2016(F)	2017(F)	2018(F)
Rental Market						
October Vacancy Rate (%)	2.8	1.5	0.6	0.7	0.8	1.0
Two-bedroom Average Rent (October)($)	1,068	1,095	1,128	1,170	1,200	1,230
One-bedroom Average Rent (October)($)	833	849	867	900	925	950
Economic Overview						
Population	357,639	361,379	365,291	369,400	373,700	377,800
Annual Employment Level	179,700	174,900	178,100	185,600	187,900	190,100

Multiple Listing Service® (MLS®) is a registered trademark of the Canadian Real Estate Association (CREA).

Rental Market: Privately initiated rental apartment structures of three units and over.

The forecasts (F) included in this document are based on information available as of 30th September 2016. (L)=Low end of Range. (H)=High end of range.

It is possible that the low end (L) and the high end (H) of forecast ranges for residential housing starts for singles and multiples jointly may not add up to the total. This is caused by rounding as well as the volatility of the data.

Source: CMHC (Starts and Completions Survey and Market Absorption Survey), Statistics Canada, CREA(MLS®), CMHC Forecast (2016-2018).

DEFINITIONS AND METHODOLOGY

New Home Market

Historical home starts numbers are collected through CMHC's monthly Starts and Completions Survey. Building permits are used to determine construction sites and visits confirm construction stages. A start is defined as the beginning of construction on a building, usually when the concrete has been poured for the whole of the structure's footing, or an equivalent stage where a basement will not be part of the structure.

Single-Detached Start:
The start of a building containing only one dwelling unit, which is completely separated on all sides from any other dwelling or structure.

Semi-Detached Start:
The start of each of the dwellings in a building containing two dwellings located side-by-side, adjoining no other structure and separated by a common or party wall extending from ground to roof.

Row (or Townhouse) Start:
Refers to the commencement of construction on a dwelling unit in a row of three or more attached dwellings separated by a common or party wall extending from ground to roof.

Apartment and other Starts:
Refers to the commencement of construction on all dwellings other than those described above, including structures commonly known as stacked townhouses, duplexes, triplexes, double duplexes and row duplexes.

Average and Median Single Detached Home Prices:
Are estimated using CMHC's Market Absorption Survey, which collects home prices at absorption and measures the rate at which units are sold or rented after they are completed. Dwellings are enumerated each month after a structure is completed until full absorption occurs. The term "absorbed" means that a housing unit is no longer on the market as it has been sold or rented.

New Home Price Indexes:
Changes in the New Home Price Indexes are estimated using annual averages of Statistics Canada's monthly values for New Housing Price Indexes (NHPI).

Resale Market

Historical resale market data in the summary tables of the Housing Market Outlook Reports refers to residential transactions through the Multiple Listings Services (MLS®) as reported by The Canadian Real Estate Association (CREA). In Quebec, this data is obtained by the Centris® listing system via the Quebec Federation of Real Estate Boards.

MLS® (Centris® in the province of Quebec) Sales:
Refers to the total number of sales made through the Multiple Listings Services in a particular year.

MLS® (Centris® in the province of Quebec) Average Price:
Refers to the average annual price of residential transactions through the Multiple Listings Services.

Rental Market

Rental Market vacancy rates and two bedroom rents information is from Canada Mortgage and Housing Corporation's (CMHC's) October **Rental Market Survey** (RMS). Conducted on a sample basis in all urban areas with populations of 10,000 and more, the RMS targets privately initiated structures with at least three rental units, which. have been on the market for at least three months. The survey obtains information from owners, managers, or building superintendents through a combination of telephone interviews and site visits.

Vacancy Rate:
The vacancy rate refers to the average vacancy rate of all apartment bedroom types. A unit is considered vacant if, at the time of the survey, it is physically unoccupied and available for immediate rental.

Two Bedroom Rent:
The rent refers to the average of the actual amount tenants pay for two bedroom apartment units. No adjustments are made for the inclusion or exclusion of amenities and services such as heat, hydro, parking, and hot water.

Economic Overview

Labour Force variables include the Annual Employment Level, Employment Growth, Unemployment Rate. Source: Statistics Canada's Labour Force Survey.

Net Migration:
Sum of net interprovincial (between provinces), net intra-provincial (within provinces), net international (immigration less emigration), returning Canadians and temporary (non-permanent) residents as provided to the CANSIM database by Statistics Canada's Demography Division. Sources of inter-provincial and intra-provincial migration data include a comparison of addresses from individual income tax returns for two consecutive years from Canada Revenue Agency (CRA) taxation records. The migration estimates are modelled, with the tax file results weighted to represent the whole population.

CMHC—HOME TO CANADIANS

Canada Mortgage and Housing Corporation (CMHC) has been Canada's national housing agency for almost 70 years.

CMHC helps Canadians meet their housing needs. As Canada's authority on housing, we contribute to the stability of the housing market and financial system, provide support for Canadians in housing need, and offer objective housing research and information to Canadian governments, consumers and the housing industry. Prudent risk management, strong corporate governance and transparency are cornerstones of our operations.

For more information, visit our website at www.cmhc.ca or follow us on Twitter, LinkedIn, Facebook and YouTube.

You can also reach us by phone at 1-800-668-2642 or by fax at 1-800-245-9274.

Outside Canada call 613-748-2003 or fax to 613-748-2016.

Canada Mortgage and Housing Corporation supports the Government of Canada policy on access to information for people with disabilities. If you wish to obtain this publication in alternative formats, call 1-800-668-2642.

The Market Analysis Centre's (MAC) electronic suite of national standardized products is available for free on CMHC's website. You can view, print, download or subscribe to future editions and get market information e-mailed automatically to you the same day it is released. It's quick and convenient! Go to www.cmhc.ca/en/hoficlincl/homain

For more information on MAC and the wealth of housing market information available to you, visit us today at www.cmhc.ca/housingmarketinformation

To subscribe to printed editions of MAC publications, call 1-800-668-2642.

©2016 Canada Mortgage and Housing Corporation. All rights reserved. CMHC grants reasonable rights of use of this publication's content solely for personal, corporate or public policy research, and educational purposes. This permission consists of the right to use the content for general reference purposes in written analyses and in the reporting of results, conclusions, and forecasts including the citation of limited amounts of supporting data extracted from this publication. Reasonable and limited rights of use are also permitted in commercial publications subject to the above criteria, and CMHC's right to request that such use be discontinued for any reason.

Any use of the publication's content must include the source of the information, including statistical data, acknowledged as follows:

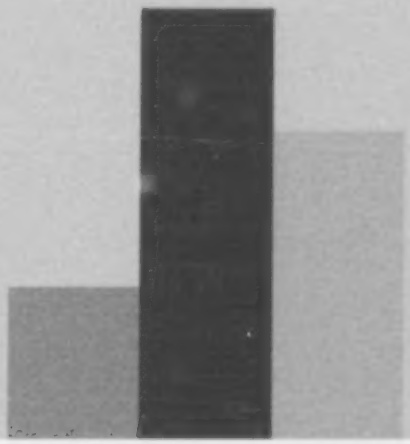
Source: CMHC (or "Adapted from CMHC," if appropriate), name of product, year and date of publication issue.

Other than as outlined above, the content of the publication cannot be reproduced or transmitted to any person or, if acquired by an organization, to users outside the organization. Placing the publication, in whole or part, on a website accessible to the public or on any website accessible to persons not directly employed by the organization is not permitted. To use the content of any CMHC Market Analysis publication for any purpose other than the general reference purposes set out above or to request permission to reproduce large portions of, or entire CMHC Market Analysis publications, please complete the CMHC Copyright request form and email it to CMHC's Canadian Housing Information Centre at chic@cmhc.ca. For permission, please provide CHIC with the following information: Publication's name, year and date of issue.

Without limiting the generality of the foregoing, no portion of the content may be translated from English or French into any other language without the prior written permission of Canada Mortgage and Housing Corporation.

The information, analyses and opinions contained in this publication are based on various sources believed to be reliable, but their accuracy cannot be guaranteed. The information, analyses and opinions shall not be taken as representations for which Canada Mortgage and Housing Corporation or any of its employees shall incur responsibility.

Housing market intelligence you can count on



FREE REPORTS AVAILABLE ON-LINE

Local, regional and national analysis and data pertaining to current market conditions and future-oriented trends.

- Canadian Housing Statistics
- Condominium Owners Report
- Housing Information Monthly
- Housing Market Assessment
- Housing Market Insight
- Housing Now Tables
- Housing Market Outlook, Canada
- Housing Market Outlook, Highlight Reports – Regional and Northern
- Housing Market Outlook, Canada and Major Centres
- Housing Market Tables: Selected South Central Ontario Centres
- Preliminary Housing Starts Data
- Rental Market Reports, Canada and Provincial Highlights
- Rental Market Reports, Major Centres
- Residential Construction Digest, Prairie Centres
- Seniors' Housing Reports

FREE DATA TABLES AVAILABLE ON-LINE

- Housing Construction Activity by Municipality
- Comprehensive Rental Market Survey Tables
- Comprehensive New Home Construction Tables

CMHC's Market Analysis Centre provides a wealth of local, regional, and national data, information, and analysis through its suite of reports, data tables, and interactive tools.

- **Forecasts and Analysis –** Future-oriented information about local, regional and national housing trends.
- **Statistics and Data –** Information on current housing market activities – starts, rents, vacancy rates and much more.

HOUSING MARKET INFORMATION PORTAL!

The housing data you want, the way you want it.

- Information in one central location
- Quick and easy access
- Neighbourhood level data

cmhc.ca/hmiportal

Get the market intelligence you need today!

Click www.cmhc.ca/housingmarketinformation to view, download or subscribe.

Housing Observer Online

Featuring quick reads and videos on...

- Analysis and data
- Timely insights
- Updates to housing conditions and trends & *much more!*

All links can be shared in social media friendly formats!

Subscribe today to stay in the know!

www.cmhc.ca/observer

64367_2016_B02